

Agency 107

Washington State Health Care Authority

Recommendation Summary

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2015-17 Expenditure Authority	1,176.4	3,883,404	12,839,884	16,723,288
Supplemental Changes				
Inpatient Cost Avoidance		(4,154)	(4,354)	(8,508)
IFS Health Care Costs		15,074	15,102	30,176
Medicare Parts A and B		29,644	29,805	59,449
Medicare Part D Clawback		35,923		35,923
Managed Care - Family		106,303	85,828	192,131
Managed Care - Disabled		82,176	110,329	192,505
Managed Care Expansion		2,465	113,166	115,631
Managed Care Calendar Year 2017		13,155	33,429	46,584
Apple Health Rate		(6,505)	(313,752)	(320,257)
Lean Management Practices		(7,335)		(7,335)
CPE Adjustment		6,925		6,925
Hospital Safety Net Adjustment			3,373	3,373
Lease Rate Increase		271	438	709
Healthier WA Savings Restoration		42,738	54,312	97,050
Waiver Savings Restoration		16,737	18,483	35,220
Costs for IRS 1095-B Forms		896	1,610	2,506
ProviderOne SSAE-16 Audit		60	170	230
Growth in Client ID Card Issuance		120	208	328
Interpreter Services Cost Increase		848	1,310	2,158
Health Benefit Exchange Financial System Improvement		500		500
Access to HealthPlanFinder			376	376
Transfer FQHC Costs to HCA		23	23	46
Hepatitis C Treatment Adjustment		(10,797)	(33,629)	(44,426)
HBE Cost Allocation		2,863	8,873	11,736
Individual and Family Services		10,073	10,093	20,166
Bariatric Surgery - HTA		712	1,490	2,202
Home Health Nursing Rate Increase		151	308	459
Medically Intensive Care Program Rate Increase		3,120	3,162	6,282
Private Duty Nursing Rate Increase		883	884	1,767
Workers' Compensation Changes		42	58	100
Audit Services		(130)	(179)	(309)
Legal Services		(9)	(13)	(22)
Administrative Hearings		(477)	(659)	(1,136)
CTS Central Services		24	33	57
DES Central Services		4	5	9
Time, Leave and Attendance System		47	5	52
Self-Insurance Liability Premium		(1)	(2)	(3)
Mandatory Caseload Adjustments		15,897	627,196	643,093
Utilization Changes		(86,027)	(1,228,747)	(1,314,774)

HUMAN SERVICES - OTHER

	Annual FTEs	General Fund State	Other Funds	Total Funds
Nonappropriated Fund Adjustment Transfers			54	54
Subtotal - Supplemental Changes		272,239	(461,212)	(188,973)
Total Proposed Budget	1,176.4	4,155,643	12,378,672	16,534,315
Difference		272,239	(461,212)	(188,973)
Percent Change	0.0%	7.0%	(3.6)%	(1.1)%

SUPPLEMENTAL CHANGES

Inpatient Cost Avoidance

The Health Care Authority will achieve savings by increasing access to skilled home registered nurses and licensed practical nurses which will result in prompt hospital discharges and prevent hospital inpatient admissions. (General Fund-State, General Fund-Federal)

IFS Health Care Costs

Legislation was enacted in 2014 that directed the Department of Social and Health Services to convert 2,500 existing state-only Individual and Family Services (IFS) program clients to a Medicaid waiver, and expand services to an additional 4,000 clients with developmental disabilities. This brings the IFS waiver caseload to 6,500 clients with a phase-in of clients beginning in June 2015 and to be completed prior to June 30, 2017. Under the new Medicaid program, an estimated 4,600 clients are eligible for health care services, which were not previously accounted for in the enacted budget. Funding is provided for these clients to be enrolled in managed care at an actuarially adjusted rate of \$825.89 per member per month. (General Fund-State, General Fund-Federal)

Medicare Parts A and B

Funding is provided for projected Medicare inpatient hospital (Part A) and physician and outpatient hospital (Part B) premiums paid by the state for dually eligible Medicaid and Medicare clients. Part A and Part B premiums are set by the Social Security Administration trustees and projected expenditures are based upon the November 2015 Medical Assistance forecast. (General Fund-State, General Fund-Federal)

Medicare Part D Clawback

States are financially responsible for their share of outpatient prescription drug costs for dual-eligible clients. This is known as Medicare Part D clawback. The Centers for Medicare and Medicaid Services has notified states that the Medicare Part D clawback inflation factor is set at 11.61 percent. Based upon forecasted caseloads and expenditures from the November 2015 forecast, funding is provided for the clawback provision.

Managed Care - Family

Funding is provided for actuarially adjusted rates, effective January 2016, for Medicaid eligible groups including an 11.3 percent rate increase for categorically needy children, a 22.7 percent increase for the State Children's Health Insurance program, and a 4.9 percent decrease for categorically needy Temporary Assistance for Needy Families in managed care and for the pregnant women category. (General Fund-State, General Fund-Federal)

Managed Care - Disabled

Funding is provided for actuarially adjusted rates for Medicaid clients enrolled in the Apple Health Blind and Disabled program. Rate increases are largely driven by high prescription drug costs. These costs are expected to increase by 12.6 percent, effective January 2016. (General Fund-State, General Fund-Federal)

Managed Care Expansion

Funding is provided for actuarially adjusted rates for Medicaid clients enrolled as a result of Affordable Care Act expansion. Rates are expected to increase by 3.7 percent, effective January 2016. (General Fund-State, General Fund-Federal)

Managed Care Calendar Year 2017

The November 2015 Medical Assistance expenditure forecast assumes a 2 percent rate increase in calendar year 2017 for the Apple Health Family, Blind and Disabled, and Expansion programs. (General Fund-State, General Fund-Federal)

Apple Health Rate

Beginning in July 2015, Apple Health rates were actuarially adjusted to reflect enacted policy changes and to incorporate provider rate adjustments as a result of more recent actual experience. (General Fund-State, General Fund-Federal)

Lean Management Practices

Chapter 4, Laws of 2015, 3rd Special Session directs the Office of Financial Management to reduce agency allotments in the 2015-17 biennium to reflect efficiency savings. The reduced appropriations associated with the efficiency savings are reflected in agency budgets, and the corresponding reduction in the back of the budget is reversed.

CPE Adjustment

The Certified Public Expenditure (CPE) program allows the state of Washington to use public hospital expenditures, including government-operated hospitals that are not critical access nor state psychiatric hospitals, to earn federal funds. It is the state's policy that a hospital will not be paid less under the CPE methodology than it would have been paid under the hospital payment methodology in place at the time services are provided. This is known as hold-harmless. Funding is provided to hold-harmless hospitals that participate in the CPE program.

Hospital Safety Net Adjustment

Funding for the Hospital Safety Net Assessment (HSNA) program is adjusted based upon the November 2015 Medical Assistance forecast. The funding changes are necessary to support Safety Net payments on Managed Care premiums for clients covered under the Affordable Care Act. (General Fund-Federal, Hospital Safety Net Assessment Account-State)

Lease Rate Increase

The lease rate for the Cherry Street Plaza building will increase, effective March 1, 2016. This item funds the increase through the end of the 2015-17 biennium. (General Fund-State, General Fund-Federal)

Healthier WA Savings Restoration

Healthier Washington is a project that allows the Health Care Authority and the Department of Social and Health Services to establish integrated clinical models of physical and behavioral health care, thereby improving the effectiveness of health care purchasing and transforming the health care delivery system. Due to delayed efforts to integrate clinical models of physical and behavioral health care, savings assumed in the budget will not be realized this biennium. (General Fund-State, General Fund-Federal)

HUMAN SERVICES - OTHER

Waiver Savings Restoration

Legislation was enacted in 2011 that directed the Health Care Authority to submit a request to the Centers for Medicare and Medicaid Innovation Center for a Section 1115 demonstration waiver. The waiver request, if approved, would reduce state expenditures through establishment of an eligibility group per capita, streamlined eligibility determinations, and enforceable cost-sharing requirements. The waiver request will not be approved; therefore, the savings assumed in the budget will not be realized. (General Fund-State, General Fund-Federal)

Costs for IRS 1095-B Forms

The Internal Revenue Service requires the Health Care Authority to send approximately 1.1 million 1095-B forms annually to Medicaid recipients beginning in January 2016. Funding is included for ProviderOne data preparation and production, printing and mailing costs, and the generation of electronic files for the Internal Revenue Service. (General Fund-State, General Fund-Federal)

ProviderOne SSAE-16 Audit

The Statement on Standards for Attestation Engagements No. 16 (SSAE-16) Service Organization is a widely recognized auditing standard developed by the American Institute of Certified Public Accountants. Currently, the ProviderOne contract includes a bi-annual SSAE-16 audit. The State Auditor's Office has notified the Health Care Authority that the audit is now required annually. Funding is provided for annual audits. (General Fund-State, General Fund-Federal)

Growth in Client ID Card Issuance

A ProviderOne magnetic identification card is issued to Medicaid clients and is used as a form of identification when a client visits a doctor, hospital, or other provider. Funding is provided to address caseload growth and an increase of nearly 300,000 new magnetic identification cards. (General Fund-State, General Fund-Federal)

Interpreter Services Cost Increase

The interpreter services administrative rate is funded at 15 percent of the total interpreter service program cost. This increase will allow the service provider to continue support for two offices and meet required administrative activities, including outreach for difficult-to-fill rare language needs, hard-to-serve rural regions, and same day urgent requests. (General Fund-State, General Fund-Federal)

Health Benefit Exchange Financial System Improvement

Funding is provided for the Health Benefit Exchange to develop and implement new financial software that will improve fiscal reporting, responsiveness, and accountability.

Access to HealthPlanFinder

Chapter 4, Laws of 2015, 3rd Special Session directs the Department of Social and Health Services and the Health Care Authority to access the Washington Healthplanfinder (HPF) online Medicaid application and to assist clients with obtaining a Medicaid eligibility determination. The HPF is operated by the Health Benefit Exchange (HBE). Funding is provided to reimburse the HBE for data/file servers and support services necessary to add an additional 2,000 users within DSHS. (General Fund-Federal)

Transfer FQHC Costs to HCA

Funding is transferred from the Department of Social and Health Services to the Health Care Authority to align funding with expenditures for physician exam services provided to Developmental Disabilities Administration clients, including those services received in a Federally Qualified Health Center (FQHC). This transfer has a net zero impact on the budget. (General Fund-State, General Fund-Federal)

Hepatitis C Treatment Adjustment

Funding is reduced due to lower-than-anticipated treatment costs for the hepatitis C virus (HCV). The Health Care Authority originally projected that HCV treatment would be provided to approximately 3,600 Medicaid patients by June 2015. Treatment has been provided to approximately 1,200 Medicaid patients to date. (General Fund-State, General Fund-Federal)

HBE Cost Allocation

Over 1.4 million Medicaid and Children's Health Insurance Program clients have their eligibility records maintained through the HealthPlanFinder website and related systems. Funding adjustments are made to the cost allocation plan that attributes state and federal funds for operational expenses incurred by the Health Benefit Exchange (HBE). (General Fund-State, General Fund-Federal)

Individual and Family Services

Legislation was enacted in 2014 that directed the Department of Social and Health Services to convert 2,500 existing state-only Individual and Family Services (IFS) program clients to a Medicaid waiver, and expand services to an additional 4,000 clients with developmental disabilities. This brings the IFS waiver caseload to 6,500 clients, with a phase-in of clients beginning in June 2015 and to be completed prior to June 30, 2017. Under the new Medicaid program, an estimated 2,000 clients are eligible for health care services, which were not previously accounted for in the enacted budget. Funding is provided for these clients to be enrolled in managed care at an actuarially adjusted rate of \$825.89 per member per month. (General Fund-State, General Fund-Federal)

Bariatric Surgery - HTA

RCW 70.14.120 requires state agencies to implement recommendations from the Health Technology Assessment (HTA) Committee. The HTA Committee recommends coverage for bariatric surgery when an individual's body mass index is greater than or equal to 40, or between 35 and 40 with at least one obesity related co-morbidity. This recommendation is not currently a Medicaid-covered service. Funding is provided to add bariatric surgery as a covered service beginning July 1, 2016. (General Fund-State, General Fund-Federal)

Home Health Nursing Rate Increase

The reimbursement rate for registered nurses and licensed practical nurses working as intermittent skilled home health nurses is increased by \$10. Skilled home health nurses work with individuals who have been recently released from a hospital or in lieu of a hospital admission. (General Fund-State, General Fund-Federal)

Medically Intensive Care Program Rate Increase

The reimbursement rate for registered nurses and licensed practical nurses working in a home setting for children who require four to sixteen hours of medically intensive care is increased by \$10. Access to this type of skilled nursing care supports prompt hospital discharge and prevents hospital admissions. (General Fund-State, General Fund-Federal)

Private Duty Nursing Rate Increase

The reimbursement rate for private duty nurses working in a home setting for adults who require four to sixteen hours of skilled nursing care is increased by \$10. Access to this type of skilled nursing care supports prompt hospital discharge and prevents hospital admissions. (General Fund-State, General Fund-Federal)

Workers' Compensation Changes

The agency's budget is adjusted to reflect increased workers' compensation rates. (General Fund-State, various other accounts)

HUMAN SERVICES - OTHER

Audit Services

The agency's budget is adjusted to update anticipated charges for state audit services and to shift funding between fiscal years to reflect the State Auditor's audit schedule. (General Fund-State, various other accounts)

Legal Services

The agency's budget is adjusted to reflect updated estimates of anticipated usage of Attorney General's Office legal services. (General Fund-State, various other accounts)

Administrative Hearings

The agency's budget is adjusted to reflect updated estimates of expected usage of the Office of Administrative Hearings services. (General Fund-State, various other accounts)

CTS Central Services

The agency's budget is adjusted to update its share of the state network, security gateways, enterprise security infrastructure, and secure file transfer charges from the Consolidated Technology Services Agency. (General Fund-State, various other accounts)

DES Central Services

The agency's budget is adjusted to update its allocated share of the following charges from the Department of Enterprise Services: small agency financial services, capital project surcharge, campus utilities, campus employee parking, financing cost recovery, public and historic facilities, and risk management administration. Additionally, small agency human resources clients are provided expenditure authority to pay for human resources services. (General Fund-State, various other accounts)

Time, Leave and Attendance System

The agency's budget is increased to pay the remaining debt service for the Time, Leave and Attendance system. (General Fund-State, various other accounts)

Self-Insurance Liability Premium

Based on a new actuarial report, updated risk factors were applied to agency self-insurance premiums, causing some to rise and some to fall. (General Fund-State, various other accounts)

Mandatory Caseload Adjustments

Funding is provided for a projected 1.8 million Medicaid-eligible individuals in state fiscal year 2016 and state fiscal year 2017. Caseloads are forecasted to increase by approximately 40,000 for categorically needy children and by over 50,000 for newly eligible adults. (General Fund-State, General Fund-Federal, General Fund-Private/Local)

Utilization Changes

Funding is adjusted to align costs with projected utilization changes of medical services for Medicaid-eligible clients as identified in the November 2015 Medical Assistance forecast. (General Fund-State, General Fund-Federal, General Fund-Private/Local)

HUMAN SERVICES - OTHER

Nonappropriated Fund Adjustment

Funding adjustments are made to align revenue and expenditures for the Northwest Drug Consortium administered by the Health Care Authority. Established by the legislature in 2005, the NW Drug Consortium was created to lower the price of prescription drugs for uninsured and underinsured residents, state purchasers, and private employers throughout Washington. The consortium brings together businesses, labor organizations, and local governments to pool the state's purchasing power to get the best prescription drug prices. (Prescription Drug Consortium Account-Nonappropriated)

Transfers

Within the Health Care Authority, appropriations from the State Health Care Authority Administrative Account that were made in the 2015-17 biennial budget are transferred from the agency's Other Program to the Public Employees' Benefits Program, without changing the amount appropriated. The agency will still be able to use these funds for activities in other programs that support public employees' benefits. (State Health Care Authority Administrative Account-State)